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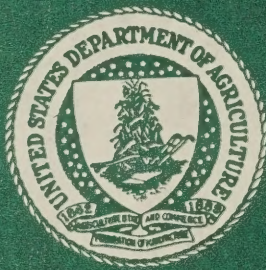
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UNITED STATES DEPARTMENT OF AGRICULTURE

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In the Matter of: :

STRUCTURE OF AMERICAN :
AGRICULTURE AND RURALCOMMUNITIES :
----- X

Volume III

Thursday, May 1, 1980

U.S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARYJefferson Auditorium
14th and Independence, S.W.
Washington, D.C.

APR 27 1981

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The above-entitled matter came on for hearing,
pursuant to notice, at 9:10 a.m.

BEFORE: BOB BERGLAND
Secretary

ALSO PRESENT:

DR. HOWARD HJORT

C O N T E N T SSTATEMENTS

1		
2	Mr. Marvin Meek	579
	Chairman	
3	American Agriculture Movement	
	Plainview, TX 79072	
4		
5	Mr. John K. Hosemann	582
	Senior Economist	
6	American Farm Bureau Federation	
	225 Touhy Avenue	
7	Park Ridge, IL 60068	
8		
9	Mr. DeVon Woodland	590
	President	
10	National Farmers Organization	
	Blackfoot, ID 83221	
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12	Mr. George W. Stone	597
	President	
13	National Farmers Union	
	12025 East 45th Avenue	
14	Denver, CO 80251	
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16	Mr. Edward Andersen	601
	National Master	
17	National Grange	
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P R O C E E D I N G S

SECRETARY BERGLAND: It is 10 past nine and time to get started. Our only panelists this morning is Leadership of National Farm Groups. Gentlemen, if you will, please come on the stage. Mr. Marvin Meek from Glenview, Texas, representing American Agriculture Movement. John Hoseman, representing the American Farm Bureau Federation, DeVon Woodland, President of the National Farmers Organization, George W. Stone, President of the National Farmers Union, Edward Anderson, Master of the National Grange.

Gentlemen, we are pleased that you have come. I know that George Stone has a 10:15 appointment that he must keep. Are there any among you who have appointments and must leave, perhaps a bit earlier than we can conclude?

MR. MEEK: I can't stay much past 10:15.

SECRETARY BERGLAND: The reason I inquired what we would like to do is, have your statements, your full statements of course, will be put in the record as prepared.

We would ask you to confine your remarks as best you can and following your opening statement we will have questions for you. If it suits the rest of you we will question Mr. Meek and Mr. Stone first, so when you need to leave, you can.

With that, if it is agreeable, than we will proceed in the order that you appear on the list, if that is okay,

1 if there is no objection.

2 STATEMENT BY: MARVIN MEEK, CHAIRMAN OF THE AMERICAN
3 AGRICULTURE MOVEMENT:

4 Thank you Secretary Bergland. Initially we had
5 great hope of these structure hearings, but I think now it
6 has been a costly two year exercise to examine "the structure
7 of agriculture" and perhaps it is a transparent political
8 dodge.

9 It appears to us that the Carter Administration is
10 using it to duck its responsibility for facing the real
11 problems of the American farmers.

12 The real "structural" problem in American
13 agriculture is that prices received by farmers are too low
14 for the family farming system to survive.

15 The American farmers are getting their commodities
16 are extremely low. Today's farm prices in the United States
17 are the lowest in history, in terms of purchasing power,
18 with the single exception of 1932. So far in 1980 prices
19 received by farmers averaged 63 percent of parity. In all
20 the 70 years since records have been kept, the only average
21 lower year was 1932.

22 Farm prices in the United States are the cheapest
23 in the whole world. Last year U.S.D.A. checked up on prices
24 farmers are getting around the world for wheat and corn, and
25 reported that the American farmer gets the cheapest price of

1 all. Now we have learned that high officials in U.S.D.A.
2 have stopped these reports and prevented the Foreign
3 Agriculture Service from updating these price comparisons
4 for 1979.

5 I think I can understand why we are embarrassed
6 to have this information known. It all comes down to an
7 excuse for not doing anything to correct the low farm
8 prices -- the excuse that fair prices for farmers would
9 make land prices continue to rise.

10 You Mr. Secretary, seem to have it your main mission
11 to force a collapse in farm prices. You told the newspaper
12 farm editors at their banquet meeting a few years ago,
13 that we were going to get farm prices down.

14 This must be the first time in history that a
15 national administration has openly declared that it intends
16 to create a depression on purpose. First of all, the false
17 notion being spread by the Administration is that "high"
18 government price supports that are fostering the rise in
19 farmland prices.

20 I would like to ask you, what price -- what price
21 supports? The truth is, government price supports, have
22 been the lowest over 10 years. They have been lowest of all
23 during the Carter Administration.

24 There are no effective price supports during the
25 years of the mid-1970's, when farmland prices rose highest

1 and fastest of all. It was the genuine shortage of food in
2 the world that made commodity prices go up. The government's
3 main activity was to drive prices down, with embargoes and
4 export restrictions and -- I think another false notion in
5 the price of farm commodities to low.

6 I would like to ask why farmland prices in the
7 United States are close to being the cheapest in the world.
8 It is so cheap that rich people from all over the world
9 want to buy it. The U.S.D.A. ought to check the facts about
10 this before putting on a big publicity campaign to make
11 the public think American farmland prices are unrealistically
12 high, because it is not.

13 Are farmers really getting rich by the rise in
14 farmland prices. You, Mr. Secretary have been very out
15 spoken in these charges that they are. Yet the U.S.D.A.
16 experts who study these things have shown that the average
17 increase in farmland prices has lagged behind the overall
18 inflation rate throughout the 1970's.

19 It is not the price supports that are doing it,
20 Mr. Secretary. It is worldwide Inflation, plus worldwide
21 political disorder, plus scarcity of important resources.
22 And that is what has been raising farmland prices too.

23 I would like to remind you that congress past a
24 "parity pay" law in 1962, and another in 1970, to raise
25 government salaries to levels comparable to private industry

1 and keep them going up. The pay of the Secretary of
2 Agriculture has nearly tripled since that time. I think
3 perhaps because of our productivity and lack of political
4 clout.

5 The farmers are being singled out for a sacrifice
6 more so than most large industries. We are being penalized.
7 Farming is by far the least concentrated big business we
8 have.

9 There are over 800,000 independent farms in this
10 country producing most of the nation's total farm products
11 and yet we are being penalized for being so productive.

12 I think American Agriculture deserves to be the
13 model of -- I think perhaps that we have a government policy
14 that takes away markets and serves up what can best only be
15 called a potter of broken promises.

16 Mr. Secretary, we are extremely tired of this,
17 we are tired of being mutilated and kicked and down trodden
18 expect a change and if not a change now, perhaps we are
19 going to have to offer you alternate changes -- we can do.

20 But the farm situation has to be corrected and we
21 are expecting you to do so with your work through the
22 Carter Administration.

23 SECRETARY BERGLAND: Thank you very much Mr. Meek.
24 STATEMENT BY MR. JOHN K. HOSEMAN, SENIOR ECONOMIST,
25 AMERICAN FARM BUREAU FEDERATION:

1 Mr. Secretary, Mr. Hjort, members of the panel.
2 Ladies and gentlemen, thank you for the opportunity to
3 present Farm Bureau views at this final farm stretcher
4 hearing.

5 In our comments today we will point out how
6 government-caused inflation, a proliferation of federal
7 regulations and interference with markets are restructuring
8 agriculture to the detriment of the family farm. In addition,
9 we will point out some of the pitfalls and contradictions
10 between the social goals and arguments advocated by modern-
11 day "restructuralists" and the economic realities of a modern,
12 high-technology, sophisticated agricultural production and
13 international distribution system.

14 Participants at the previous hearings presented
15 a broad range of views on the structure of agriculture
16 ranging from the belief that the family farm is stronger than
17 ever to the belief that the family farm is gone forever.

18 The proposed "solutions" also ranged over a wide
19 area from greatly increased federal government involvement to
20 "save the family farm" to the belief that the federal govern-
21 ment is part of the problem rather than part of the solution.

22 Farm Bureau believes that the federal government
23 is the biggest obstacle to a strong agriculture based on
24 individually owned and managed farms. We need only to look
25 at the current economic plight of agriculture to confirm this,

1 with inflation roaring at 20 percent per year; grain markets
2 depressed due to an ill-advised embargo of shipments of
3 grain to the Soviet Union; and a regulatory bureaucracy that
4 threatens to wipe out many of the technological gains made
5 in the last 30 years.

6 These technological gains were made because there
7 was a profit incentive to adopt research breakthroughs.
8 Such technology has given us food whose variety, quantity,
9 quality, price and availability are the envy of the world.

10 Inflation is the biggest threat to the existence
11 of the family farm. Inflation is a long-term monetary problem
12 caused by an expansion of the money supply beyond that needed
13 to support real economic growth.

14 The Federal Reserve has had to expand the money
15 supply in order to finance year-after-year federal deficit
16 spending. Inflation was started by the federal government
17 and only the federal government has the power to stop it in
18 the long run by controlling the money supply, cutting federal
19 expenditures to balance the budget and by limiting the
20 amount of federal taxes to a fixed percent of GNP.

21 Chronic inflation has forced nonagricultural in-
22 vestors to seek ownership of farmland as a hedge against the
23 government's policy of continued inflation and currency
24 debasement.

25 Land prices have increased to the point that new

entrants into farming face an almost impossible financial task. Inflation has forced interest rates to a level that makes borrowing money to finance production extremely costly.

Much has been said about the need for government to help new entrants into farming. The greatest help the government can give is to reduce inflation to zero so that new entrants to farming do not have to bid against outside investors for farmland, so that new entrants can compete with farmers that have already purchased farmland, and so that new entrants can afford to borrow operating capital.

Confiscatory inheritance taxes haunt the young farmer who hopes to inherit land from relatives. Inflation has pushed the price of farmland to the point that major changes in inheritance tax laws must be made so that family farms and other family businesses can be passed from generation rather than be sold to outside investors in order to pay inheritance taxes.

For the family farm to survive it must have access to domestic and foreign markets for agricultural products. Farmers are willing and able to respond to the needs of consumers as they register their wants in the marketplace.

Many so-called consumer advocates believe that they should determine what each citizen of this country should eat and what farmers should produce in response to federal plans for correct diets.

1 We consider this economic nonsense. American
2 consumers are capable of deciding what to eat without any
3 help from central planners in a faraway bureaucracy. The
4 record is replete with examples of food items rejected or
5 demanded by consumers as their dietary preferences have
6 changed over time through research and education.

7 Foreign markets are a vital part of U.S. agriculture.
8 Export markets now account for one acre in every three acres
9 harvested by U.S. farmers and provide one dollar in every
10 four dollars of gross income.

11 Many advocates of cheap food consider restricting
12 exports as one way to hold food costs down. This may work
13 in the short run, but in the long run it will drive more
14 farmers off the land and lead to higher prices.

15 Incidentally, almost everyone in government these
16 days -- even those who favor structural changes for agricul-
17 ture -- likes to brag about agricultural exports: how they
18 help feed millions around the world; how they are really the
19 only "bright spot" on the U.S. balance-of-payments scene; how
20 they help pay for imported oil; and even how they can be
21 used as a foreign policy tool.

22 Contrarily, most "restructuralists" never bother
23 to admit how these markets were developed in the first place.
24 They did not come about by accident or by central planning
25 by big government.

1 The policy shift within the last ten years away
2 from an unresponsive government-managed agriculture to a
3 free market-responsive agriculture enabled farmers and re-
4 lated businesses and the nation to benefit from the com-
5 parative advantage of U.S. agriculture -- a comparative
6 advantage which is being eroded daily by layer after layer
7 of government regulations and bureaucratic interferences.

8 We are rapidly returning to a government-managed
9 and -controlled agriculture. As such, we will soon lose
10 our dominant position, and all that goes with it, in world
11 agricultural markets.

12 We are deeply concerned about the changing role of
13 the U.S.D.A. The U.S.D.A. has been criticized by farmers
14 from time to time but it has been a healthy criticism, since
15 it is a part of the process of evolving a consensus on farm
16 policy and related matters with the farmers' interest and
17 the national interest in proper perspective.

18 The U.S.D.A. is increasingly becoming a regulatory
19 agency, bent on stifling production rather than an agency
20 designed to assist in solving the production and marketing
21 problems of modern agriculture.

22 If recent trends continue, U.S.D.A. will be about
23 as effective in helping to produce food as the Department of
24 Energy is in helping to produce energy -- having produced
25 not one quart of oil last year after spending almost

1 \$10 billion.

2 The U.S.D.A. must change to meet the needs of
3 producers, marketers and consumers; but it should not
4 ignore farmers by becoming a haven for consumer, environ-
5 mental and other social program activists.

6 Throughout the years family farmers have benefited
7 greatly from most of the activities of the U.S.D.A. The
8 research programs and cooperative extension programs have
9 given family farmers information that they could not get
10 anywhere else.

11 Large corporate farms can do much of their own
12 research; but family farms need the work of U.S.D.A. If
13 the federal government is seriously interested in helping
14 maintain the family farm structure, then U.S.D.A. must
15 strengthen its traditional services rather than continue ,
16 as in recent years, to curtail traditional research and
17 education programs for farm and ranch families.

18 It is troubling to Farm Bureau that while some
19 U.S.D.A. officials bemoan the downtrend in agricultural
20 productivity and the lack of research breakthroughs on the
21 research horizon, others are busy directing U.S.D.A. programs
22 away from research to more social welfare programs.

23 Farm Bureau is concerned about the spreading
24 attitude of policy-makers within the government toward in-
25 creased federal regulations for agriculture. Every new

1 regulation has either a direct out-of-pocket compliance cost
2 to farmers or an indirect cost to farmers in terms of
3 reduced productivity.

4 In either case, each additional regulation makes
5 the survival of the family farm a more difficult task.
6 This is especially disturbing when the end result of most
7 regulation is not more production nor a cleaner environment,
8 but lower farm income, reduced farmer productivity, fewer
9 farms and more and bigger government.

10 Many more instances of federal government involve-
11 ment in agriculture to the detriment of the individually
12 owned and operated farm could be cited, but for those who
13 have not seen the light one more example would make little
14 difference.

15 The central question comes down to who is going
16 to make all the economic decisions related to the production
17 and marketing of agricultural products? Will it be the
18 tens of thousands of farmers, ranchers, farm suppliers,
19 agricultural marketing firms and millions of consumers at
20 home and abroad?

21 Or will it be a group of federal central planners
22 who favors controls over free markets and, ultimately,
23 economic freedom? If the decisions are made by individual
24 businessmen and consumers operating in a free economic
25 system, then the family farm will survive and thrive just

1 as it has for the last 200 years. The individual farmer
2 is in the best position to make the economic decisions that
3 affect the farm business and the life that goes with it.

4 If, on the other hand, the decisions are made by
5 bureaucrats and central planners in Washington, then the
6 family farm is lost. Most bureaucrats operate to protect
7 their own jobs first.

8 That is the nature of a system that does not
9 constantly come face to face with the discipline of a balance
10 sheet or an operating statement.

11 As time progresses, the needs of the farmer will
12 be shunted further and further aside as bureaucrats respond
13 to the pressures of the corporate statistis, environmental
14 and consumer activists, and others.

15 Farm Bureau believes that once the farmers of this
16 country lose their economic freedom they will then lose their
17 political and social freedom. We believe that the family
18 farm is alive and well, although presently undergoing some
19 stress, but will live and grow stronger if government will
20 play its proper role.

21 SECRETARY BERGLAND: Thank you very much
22 Mr. Hosemann. And now DeVon Woodland.

23 STATEMENT BY DEVON R. WOODLAND, PRESIDENT NATIONAL FARMERS
24 ORGANIZATION:

25 Mr. Secretary, the National Farmers Organization

1 shares your deep concern about the structure of Agriculture
2 that is emerging at the present time. We believe there is
3 an urgent need for national agricultural policies legislation,
4 that will keep farmland and the farming business in the hands
5 of family farmers.

6 We have only praise for your efforts to direct
7 national attention to the subject. We are convinced that
8 the social structure and the strength of any nation are
9 enhanced by the system of widespread individual ownership of
10 the land and business establishments as opposed to concen-
11 tration of land holding and business assets in the hands of
12 a very few which, invariably throughout history, has resulted
13 in social and political unrest and the downfall of both
14 political and economic dynasties.

15 We are very confident, in a very confidential
16 prediction at your last outlook conference that by the end
17 of the 20th century the prediction was, that 20 years from
18 now, about 50,000 farms of larger than owner operated type
19 will provide the majority of farm production in the United
20 States.

21 If this present trend continues we believe that
22 this is an undesirable trend and will have a direct impact
23 can quality of life in America.

24 There is a real urgency in enacting legislation
25 and the farm program next year. So as to reverse this trend

1 and to assure a revival and renewal of the family farm in
2 America.

3 The National Farmers Organization believes there
4 are a half dozen objectives which should have priority in
5 developing a new and revised farm policy, involving
6 legislation which goes beyond agricultural measures alone.

7 They include: 1) Revision of Federal tax laws
8 to eliminate the attraction of farmland and farming operations
9 as a speculative vehicle for investors around the world. To
10 those who talk about bringing new money into agriculture, we
11 respond, "fair prices for farm commodities and we will
12 finance our own operations."

13 2) Enactment of the family farm Antitrust Act,
14 or equivalent legislation which will prevent non-farm interest,
15 including corporate conglomerates, from owning and operating
16 agricultural land.

17 3) Enactment of farm programs that assist only
18 family operated units. Exclude absolutely absentee owners,
19 conglomerates, institutions and other forms of business with
20 major sources of income other than farming.

21 4) Assure farmers the right to join together to
22 bargain collectively with the buyers for their products as
23 to price and terms of sale without government interference or
24 supervision beyond the provisions of the Capper-Volstead Act
25 against undue price enhancement.

1 5) Proceed, with the advice and counsel of bona-
2 fide producers, to develop an international agreement on
3 minimum prices of grains, oilseeds and cotton in the
4 export markets of the world.

5 6) Continue a voluntary soil and water resources
6 conservation program based on landowner control of his own
7 land without compulsion or coercion by bureaucrats who are
8 forever planning, zoning, surveying, mapping and otherwise
9 trying to dictate private land use.

10 With your permission, Mr. Secretary, I will file a
11 paper elaborating on these six points in more detail and
12 confine this oral statement to those just mentioned.

13 We do not contend that these six points are a
14 total program. Many things will need to be done in the
15 Department of Agriculture to re-orient its agencies and
16 operations, including research and extension work, to
17 aggressively encouraging and helping in the development of
18 family farms rather than servicing the few larger-than-family-
19 units which were predicted at the U.S.D.A. outlook conference
20 to dominate farming at the end of this century.

21 We commend you for the steps you have taken to
22 redirect research toward family farming; we will need
23 research and extension workers who are aggressively attempt-
24 ing to make family farming succeed.

25 We are strongly committed to the concept that

1 family farming must be based on land ownership, and that
2 nothing less than ownership can be the basis for free,
3 independent families in agriculture. Tenancy serves a
4 purpose as one rung in the agricultural ladder up to
5 independent owner-operator, but only as such a rung, pro-
6 viding a means of ultimate transfer of land from nonoperators
7 to young owner-operators.

8 Separating ownership and operation will deprive
9 farm operators of the economic security we all seek in life,
10 and it will remove the incentive of operators to care for
11 land which they regard as land that will support them and
12 their heirs down through at least several succeeding
13 generations.

14 There should be an intensive study of our tax laws
15 to accomplish two objectives: First, removal of all pro-
16 visions that make it attractive for non-farmers to invest
17 in farming for tax dodging purposes, and, second, removal
18 of obstacles that would transfer of reasonably sized tracts
19 of land from one generation to another.

20 Our endorsement of the family farm Antitrust Act
21 is not without basic purpose or precedent. The purpose is
22 to reserve the land for family farmers.

23 The precedent is in numerous state laws which
24 forbid corporate or foreign ownership of land within that
25 state. A further purpose, of course, is to prevent corporate

1 tax dodging by converting farm operating losses into capital
2 gains, which not only deprives the nation of tax revenues
3 but is unfair competition with bona fide farmers who have
4 no way of charging off their losses to another line of
5 business.

6 We are concerned that our current farm programs
7 benefit the largest farm operators in the most and might lead
8 to more rapid concentration of ownership, and by the fact
9 that they have become a system of both minimum and maximum
10 price control.

11 Although we have supported your farmer-owned grain
12 reserve program as an alternative to outright ownership of
13 surplus stocks by the government, the very narrow band of
14 price activity allowed by the loan rates, the release levels
15 and loan-call levels in the grain programs results in
16 government control of maximum prices just as firmly as they
17 influence the floor on minimum prices at which the products
18 are sold into the markets.

19 And realistically we have a government controlled
20 agriculture. The members of our organization firmly
21 believe that they cannot depend on the government or some
22 other outside agency to assure them profitable prices for
23 their production.

24 Politically, we are now a small minority. We must
25 use our production as a lever to achieve equity and economic

1 justice. Although we may have a long way to go, we are
2 committed to the belief that when farmers block or pool
3 a sufficient amount of their production for bargaining with
4 buyers, they will be able to negotiate reasonable prices.

5 We are totally opposed to what amounts to a
6 government cap on such prices, or to government licensing,
7 supervision or interference in the bargaining process. We
8 have attained success in some commodities by blocking, or
9 putting our production together, and bargaining it with
10 buyers and know that the system will work.

11 We do not ask that you endorse our organization,
12 or that you endorse our program activities. We do ask that
13 future farm programs do not interfere with farmer efforts to
14 bargain fair and profitable prices on which family farmers
15 can survive and maintain an American standard of living.

16 This review of the structure of Agriculture is
17 timely and badly needed. We hope it will highlight the
18 necessity of re-ordering some policies, programs and prior-
19 ities that affect the structure of agriculture.

20 It is now clearly in order to recognize the
21 fundamental importance of one individual in all of agri-
22 culture - the producer - and make it possible for him to
23 achieve economic security for himself and his family.

24 SECRETARY BERGLAND: Thank you very much
25 Mr. Woodland.

1 STATEMENT BY MR. GEORGE W. STONE, PRESIDENT, NATIONAL
2 FARMERS UNION:

3 Thank you Mr. Secretary. Our farmers and con-
4 sumers have been at the whip end at the price swing since
5 the past ten years because of the Agricultural Acts of 1970,
6 1973, and 1977 have exposed farmers to greater and greater
7 economic risks. Americans have a choice in farm policy and
8 they should not have to tolerate food insecurity, nor should
9 the farmers consigned to weak economic position.

10 A new and improved farming act agriculture policy
11 must be developed which will strengthen the agricultural
12 system, and at the same time serving the interests of all
13 Americans. We suggest that a new farm law might be identified
14 and developed as the "Farm Security Act of 1981."

15 Such an act would be designed: 1) To assure a
16 viable domestic farm economy by providing price and income
17 stability and security to farm producers, with needed in-
18 centives for ample production.

19 2) To assure a constant, wholesome, and fairly-
20 priced supply of commodities for consumers, industry, and
21 humanitarian needs.

22 3) To provide a "safety factor" in farm and food
23 commodity supplies, administered so as to protect and enhance
24 farm income.

25 4) To re-establish the United States as a

1 dependable supplier of arm products in world markets, with
2 effective deterrents to suspensions, embargoes, or export
3 stoppages, for whatever reason.

4 5) To provide for farmers more effective marketing
5 order, marketing agreement, and farm bargaining mechanisms.

6 6) To link the goals of all farm stabilization
7 programs, marketing orders and agreements, and farm bargain-
8 ing measures to the assurance of parity prices and income
9 for farmers.

10 Not all of the economic problems of farmers, of
11 course, can be dealt with alone by farm legislation. We
12 have in mind such problems as inflation, tight money and
13 high interest rates, energy shortages and skyrocketing
14 prices, and the effect upon consumer food purchasing power
15 of unemployment and recessionary conditions.

16 But many of the difficulties of farmers would be
17 far less serious if farm prices and incomes were maintained
18 at satisfactory and stable levels.

19 It is, after all: low farm prices which bar
20 beginners from farming; low farm prices which create the
21 pressure for farms to get constantly larger; low farm prices
22 which make it difficult for either established or beginning
23 farmers to bid for available farmland against off-farm
24 investors, aliens, and non-farm corporations; low farm prices
25 which tend to cause increasing separation of land ownership

1 and farm operation; low farm prices which aggravate our
2 currently negative international balance of trade.

3 Not only are family farmers displaced, but
4 American consumers and our society are harmed by the
5 acquisition of U.S. farmland by aliens and absentee investors;
6 the invasion of corporations into food production; the
7 growth of syndication and tax-shelter farming; the develop-
8 ment of contract farming arrangements which leaves farmers
9 as mere sharecroppers on their own land; and the increasing
10 dominance of markets by packers, processors, and food chains
11 to the detriment of both producers and consumers.

12 It is sometimes suggested that we should just let
13 nature take its course and let the number of farmers be
14 reduced, so that the "larger and more efficient producers"
15 who remain will then be able to prosper in the free market.

16 But it is not just some marginal farmers who are
17 currently in difficulty -- the distress is being felt across
18 the board by full-time, commercial and efficient farming
19 units.

20 The reduction in number of farmers has not been
21 an approach which has improved the lot of remaining farmers.
22 When we entered the decade of the 1960's, the Nation had
23 4 million farming units and the national parity ratio was
24 80 percent of parity.

25 We lost one million farming units during the 1960's

1 and farm income declined to 70 percent of parity. We have
2 lost another 300,000 farms during the 1970's and farm
3 parity is now at 63 percent.

4 That is in the report, but the report you put out
5 yesterday showed that parity dropped to 60 percent.

6 Mr. Secretary, when you launched this national dialogue a
7 little over a year ago at the National Farmers Union con-
8 vention in Kansas City, you warned that "we must act now to
9 insure the kind of American agriculture we want in the
10 years ahead."

11 You said that you did not want to see "an American
12 where a handful of giant operators own, manage, and control
13 the entire food production system."

14 You also said --- "yet that is where we are headed
15 if we don't act now." The situation which you spoke about
16 one year ago has now been severely aggravated by inflation,
17 tight credit and high interest rates, and depressed farm
18 markets and prices.

19 These must be addressed now with emergency
20 measures of real importance if widespread bankruptcies and
21 a downturn in farm production is to be avoided.

22 But, at the same time, we must also start at once
23 in the re-direction of farm policy which must be achieved
24 in 1981. We want to commend you, in closing, for the way
25 in which you have focused national attention on agricultural

1 policy for the furture. And we sure hope that 1981 we
2 can come up with a final viable farm program that will let
3 the American farmers survive.

4 SECRETARY BERGLAND: Thank you very much Mr. Stone.
5 STATEMENT BY MR EDWARD ANDERSEN, NATIONAL MASTER, NATIONAL
6 GRANGE:

7 Thank you Mr. Secretary. On behalf of the National
8 Grange, I want to commend you for your foresight in con-
9 ducting these hearings.

10 We share your concern over how U.S. agriculture is
11 organized, who controls it, and where it is heading. We
12 also are concerned over the role that government policy
13 plays in directing the structure of our agriculture.

14 Present agriculture, tax and credit policy of the
15 federal government have made it economically advantageous
16 for farms to get larger. We question whether this trend
17 towards larger and larger farms, with fewer farmers, is in
18 the long-range best interest of our nation.

19 During the last three years the National Grange
20 has called for a redirection in farm programs and policies
21 that would affect the farmers income payments to the small
22 families farms. We question whether there is a need for
23 federal payments to be made for above-income farmers.

24 We recommend that current farm programs be amended
25 to provide for a Variable Deficiency Payment Program in

1 which a farmer's federal farm program payment would be de-
2 creased as his volume of production increased. In addition,
3 we have recommended that any set-aside requirements contain
4 a provision for a small farm exemption or have the set-aside
5 tailored to an individual farmer's livestock/crop mix.

6 A provision between crops eligible for program
7 payments should not be applicable for family farmers,
8 especially if they have a livestock/crop enterprise.

9 We recommend that federal farm programs emphasize
10 the "family farm" and that a "family farm", for federal
11 program purposes only, be defined as a farm that requires
12 900 days of annual labor or less, at least half of which is
13 supplied by the family, and managed by a resident family
14 member.

15 The other two areas of our concern regarding the
16 structure of U.S. agriculture are federal tax and credit
17 policies.

18 TAX POLICY

19 Several rules for income and estate taxes have a
20 significant effect on farming and the structure of agriculture.
21 In total, they increase the attractiveness of owning farm
22 assets and lead to: 1) a larger investment by non-farm
23 people in farm assets; 2) larger farms owned and/or operated
24 by those farmers who are able to exploit tax opportunities;
25 and 3) more corporate farms.

1 The tax rules that are particularly applicable to
2 farming relate to: investment tax credit; accelerated de-
3preciation allowance; tax-loss farming and to a lesser
4degree estate taxes, carryover basis and corporate tax rate
5affect farming and farm structure.

6 CREDIT POLICY

7 The present credit crunch that the U. S.
8agriculture is going through today will emphasize the effect
9that credit has on the structure of U.S. agriculture.

10 There is no doubt in my mind that 1980 will see a
11large number of small-to-medium-size family farmers leave
12rural America. With them will go farm families and many
13small businesses along Main Street in rural America.

14 There is some question whether assistance presently
15given is helping middle-sales classes of farms or whether
16most assistance is going to larger farm operations.

17 Currently, the limitation on credit programs for
18FmHA is \$400,000. It is doubtful if most farmers in the
19middle sales categories could use this amount of credit.
20One possibility would be to reduce sharply the interest rate
21on the first \$50,000 of credit provided by FmHA and raise
22the interest rate to commercial levels on larger amounts.

23 I have been concerned over the operation of the
24Business and Industrial Loan Guarantee Program of FmHA
25wanted to extend this type of loan to the production of farm

1 commodities to processing plants in rural areas.

2 Fortunately, they thought better of it after read-
3 ing the recommendations of a special report requested by
4 the Senate Agriculture Appropriations Subcommittee.

5 The report concluded that not only was the new
6 program inappropriate for FmHA, but also found that the
7 present guaranteed loan program to finance custom feedlots
8 and processing and marketing shares of vertically-integrated
9 livestock and poultry operations would create a "gross
10 inequity" since family farms would be subject to loan limits,
11 "credit elsewhere" tests, and "graduation" on loans for
12 agricultural production, while large corporation would not
13 be subjected to such tests.

14 - Presently the Small Business Administration is
15 using a size standard to define a small livestock enterprise
16 as one that has gross annual sales of \$1,000,000.

17 In our judgment, this is entirely too high and
18 we have filed a statement with the SBA recommending that
19 they redefine an agricultural livestock enterprise as one
20 that has gross annual sales of \$175,000; also that custom
21 beef feedlots have annual sales of less than \$500,000 in
22 order to be eligible for SBA loans.

23 Credit availability to small-to-medium-size family
24 farms must be protected. This can be done by placing
25 stricter limits on amounts any one farmer can borrow from

1 FmHA and SBA. The interest rates could be made lower on
2 the first \$50,000 borrowed, with escalating rates on the
3 remainder, and having all farm loans subject to a "credit
4 elsewhere" test.

5 Current trends show no sign of reversing the
6 direction of the structure of U.S. agriculture. But I do
7 not believe that it is a proper role of government to assist
8 in increasing the size of farms through federal farm
9 programs or tax and credit policies.

10 A new policy strategy is needed that would focus
11 on providing more financial assistance to small-to-medium-
12 size farms without subsidizing the above-average-income
13 farmer; that would encourage the continuation of family
14 farms; that would add to the social fabric of rural communi-
15 ties; and that could help to achieve the social goals of
16 our nation.

17 Thank you Secretary Bergland, thank you very much.

18 SECRETARY BERGLAND: Mr. Andersen, I congratulate
19 all of you for careful preparation in accordance with the
20 understanding I have questions of Mr. Meek and Mr. Stone, and
21 the others as well, and then you can be excused to make
22 your appointments.

23 MR. MEEK: For some reason land values are two or
24 three times what they are worth as income producers is about
25 a four percent return on land today, maybe less. That is

1 the way it has always been though interestly. Free market
2 forces set land values, one farmer competes with another and
3 the market is set.

4 But it seems as though those values have nothing
5 to do with what the land can earn, are driven by other
6 factors some of which is tax policy I know. But for what-
7 ever reason land values have inflated at an annual rate of
8 about 15 percent per year over the past decade.

9 Land values have doubled over the last seven years.
10 There is no way that people can buy land today and service
11 the debt, it is out of the question. Yet land values or
12 land is selling for what I would regard has a very high price.

13 What do you think we should do about this matter
14 if anything?

15 MR. MEEK: I personally feel like you need to stay
16 away from it all together.

17 SECRETARY BERGLAND: Do you think we should feed it?
18 Should we feed land value increases by raising prices?

19 MR. MEEK: Let me tell you what is happening in
20 my estimation. I think the government policy has forced
21 farmers and ranchers across the nation to go in and mortgage
22 their property to compensate for the losses that have
23 occurred.

24 And if you come and devalue the land like you are
25 trying to do, it is going to prove disasterous when it comes

1 time. For reorganizing their loans after what looks like
2 is going to be, according to Mr. Hewitt, down 20 percent
3 on this crop year.

4 It is probably going to be less than that. If
5 you come in and make them reorganize their loan, they have
6 got their property and their mortgage up, the banks are
7 going to come and they are going to be under collateralized
8 for what they have got borrowed in many many cases.

9 For you to make a comment like you did before,
10 the editors that really alarms me to think that you are
11 actually trying -- and you are being very successful in
12 driving the price of land down according to a gentlemen in the
13 state of Minnesota, Commissioner of Agriculture Office, he
14 said that farmland is averaging down 25 to 40 percent at
15 this time.

16 SECRETARY BERGLAND: From what?

17 MR. MEEK: From what it was. And to come down off
18 of that, Mr. Bergland, it is going to be disastrous for the
19 farmers. That have been having to live with this administra-
20 tion farm policy.

21 SECRETARY BERGLAND: What do you think land should
22 be worth?

23 MR. MEEK: Well, you have got houses that are
24 in Washington, D.C. that are being bought and paid for five
25 times more than what they are worth. There increase has

1 gone up 88 percent. The average land has gone up only 65
2 percent from what is really probably worth.

3 SECRETARY BERGLAND: This is what is called in-
4 flation by whatever definition, it is all inflation. And
5 we are trying to establish programs which will bring inflation
6 under control, because it is a killer.

7 MR. MEEK: Mr. Secretary, if the only way, we have
8 been up here three years trying to tell you how to bring
9 inflation under control. There is only one way, you have
10 got to bring the dollar to where it is worth more.

11 SECRETARY BERGLAND: That is right.

12 MR. MEEK: The dollar has devaluated for 100
13 straight months and it is because of agriculture policy.
14 Anytime you are exporting at the same price you were in 1930
15 and 1940, in those years and for there and everything you are
16 importing.

17 And the energy we are importing at 10 to 15 and 25
18 thousand percent increase in the case of gold and 15 times
19 greater than what it was 10 years ago. That is the only
20 way you are going to get control of the dollar back.

21 SECRETARY BERGLAND: Do you think there should be
22 limits on subsidies, in terms of farm size. It is generally
23 agreed that tax policy, research programs, commodity policy
24 credit matters mostly are tilted in favor of the large scale
25 farm and high income tax payer.

1 Do you think that is proper?

2 MR. MEEK: We don't want such things.

3 SECRETARY BERGLAND: We want a price. That is all
4 the agriculture produces.

5 SECRETARY BERGLAND: Let us hear him out. Should
6 the price be the same for 30 thousand acre California cotton
7 farm as for a 12 acre Alabama tenant?

8 MR. MEEK: Should the price be the same?

9 SECRETARY BERGLAND: The price of cotton, be the
10 same for the two farmers.

11 MR. MEEK: If the price is fair, yes. But when it
12 is below the operating cost, you have a ratio there.

13 SECRETARY BERGLAND: What chance do you think the
14 12 acre Alabama tenant has of competing against the \$30
15 thousand dollar cotton ranch prices at the levels you re-
16 commend. What chance do they have?

17 MR. MEEK: If they have got a hold of the land.

18 SECRETARY BERGLAND: What is to prevent the 30
19 thousand acre California ranch from buying everything in
20 sight. Like, what is keeping them from doing it now?

21 SECRETARY BERGLAND: It is all of a relative scale.
22 Are you saying it is a hopeless case?

23 MR. MEEK: I think under the current policy in
24 the administration, yes it is hopeless.

25 SECRETARY BERGLAND: Mr. Stone, it is generally

1 believed, and I think agreed, that we have a cheap food
2 policy in the United States. I agree with that assessment.

3 It is generally believed that most of that can
4 be identified in the research strategy. I am convinced if we
5 had not had research we would not have cheap food. If we
6 had not had research in hybrid seeds, pesticide, and
7 mechanization food cost would be much higher today.

8 We are trying to think through a billion dollar
9 federal research budget. What do you think we ought to
10 establish in developing federal research.

11 MR. STONE: It is very important that it on the top
12 burner, because research is still important because of the new
13 things that come up in the way of insects and various things
14 people didn't experience before.

15 I agree. What you are saying of course, has had
16 a tendency to produce a lot more food which may have
17 generated the cheap food policy as such, but that is a minor
18 part of it.

19 The overall production has increased, yields have
20 increased which have been an advantage to the farmer without
21 having to work hard to produce little. I believe research
22 still has to carry forward.

23 That is not the real typical situation with cheap
24 food policy, because the cheap food policy has always been --
25 it is a popular thing with the consumers to say we are going

1 to keep the price of food or realistic and lower than
2 other countries and so forth.

3 The lower the price a farmer receives generates a
4 cheap food policy, but at the same time -- the lower price
5 the farmer receives, the higher the spread on the retail
6 level. So while the consumers blame farmers for the prices
7 they are paying which they think are high and we know are
8 not high.

9 But the facts are the farmer is not the one who has
10 caused them, but the researcher are important to keep them
11 in business so we can compete against the various elements
12 he has to deal with.

13 SECRETARY BERGLAND: One university just finished
14 a assessment of the U.S.D.A. research program dating back over
15 the past 175 years or so and concluded that the ones
16 who benefited the most from federal research were consumers.

17 The farmers gained little, a little but not much.
18 Consumers were the ultimate beneficiaries.

19 MR. STONE: That is true.

20 SECRETARY BERGLAND: If we had 40 bushel , corn
21 yields todays instead of 110, I guarantee corn would have
22 been a lot more expensive than it is. Everything would
23 have been more expensive. We have curtailed death loss in
24 livestock and we have efficiency and we have learned all
25 this through research and the consumer has benefited

1 and I am sure one could describe it as a cheap food policy.
2 But I am not sure it is bad.

3 MR. STONE: Let me add had it not been for the re-
4 search we would have had a shortage long before now.

5 SECRETARY BERGLAND: Absolutely right. Let us
6 pursue the matter. It is generally believed that the world
7 food requirements will double in the next 40 or 50 years and
8 the United States is going to play a vital role in satisfy-
9 ing that every expanding demand.

10 Do you think that federal research should be
11 directed as it has been generally in areas of increasing
12 productivity in agriculture or what should be -- what should
13 be the top priority for the federal billion dollar research
14 budget.

15 MR. STONE: Probably we may not be concerned about
16 the -- temporarily about contingent productivity yield per
17 acre but we certainly need to be in a position at the right
18 time to increase the yield to take care of what you talking
19 about.

20 SECRETARY BERGLAND: We are caught up on a real
21 bind here. On the one hand we are suffering from the burden
22 of 110 bushels of corn yields last year. If it had been a
23 100 bushels corn prices would have been substantially better
24 than they are today.

25 And of knowing that the world requirements are

1 going to gain at the same time we obviously can't stand
2 economic depression on the farms. That doesn't make sense
3 either.

4 We are trying to figure out the proper government
5 role in balancing this. So these world food requirements
6 can be met and at the same time keep our domestic economy
7 healthy.

8 You stated that low farm prices create pressure to
9 get larger. In what ways?

10 MR. STONE: Pardon me.

11 SECRETARY BERGLAND: In your statement you say
12 low farm prices tend to create pressure on farmers to get
13 larger.

14 MR. STONE: Well.

15 SECRETARY BERGLAND: What we are hearing is, it is
16 the other way. People, they want to get bigger, but can't.

17 MR. STONE: This is true, and both are true, but
18 you will find farmers increasing in size because of the
19 necessity. First of all to buy machinery, big machinery
20 which can handle new acres.

21 Therefore, the less they got for commodity the
22 more they have to sell to bring the income up. Of course
23 we find it isn't true. I am in Oklahoma and in many times
24 a farmer, one fellow goes out another fellow goes in because
25 he says I have got the machinery and I can handle that.

1 And I pay an increase because of the necessity
2 to do so to pay for the machinery and survive. It is just
3 a trend that I want my neighbors, and my neighbors, and my
4 neighbors -- but a lot have the investment out there and
5 they want to invest more, hoping to come out.

6 Fortunately for some of -- unfortunatley for some
7 of those fellows they are not coming out because they have
8 over extended themselves.

9 SECRETARY BERGLAND: I have farmed in Minnesota
10 and when grain prices, in 1974 and 1976, -- remember the big
11 explosion. Most of the farmland picked up in my neighborhood
12 was bought up by people who came in from the outside.

13 And paid any kind of price didn't matter. Bought
14 on a contract for deed, bought for anything but cash and
15 couple of those, I happen to know we are going to go under
16 and it doesn't bother me a bit, not a bit.

17 I have no intention of doing anything to help them.
18 Now, what I am concerned about though, is the problem of
19 persons who are underemployed. My son-in-law operates my
20 farm -- my wife's and my farm and he puts in about 500 hours
21 a year.

22 He does it with high powered machinery. The rest
23 of the time he is underemployed so he spends his time in
24 a full-time business and he keeps busy that way. But in-
25 creasingly that is becoming a problem. High powered

1 mechanization has reduced the labor requirements of a
2 family on the farm and they don't have enough to do

3 What should we do about this?

4 MR. STONE: One comment about the tragedy of the
5 increasing size of the farm though he over extended himself
6 and later wished he hadn't. In the meantime he is displaced
7 because of bankrupt or liquidation, whatever the case my
8 have been, to small a unit.

9 That fellow is out and out for good. He is perman-
10 ently gone so the other fellow gets in and that doesn't solve
11 the problem. He has his problem and then you have outside
12 money that bales him out, but the family unit is gone. That
13 is the thing we have to be concerned about, is where the
14 family unit is.

15 Let them stay in because he is the most efficient
16 of the whole bunch and records will prove that. Family unit
17 is more efficient. When one gets displaced it just snowballs
18 and we have lost the guy we wanted to keep.

19 DR. HJORT: First, a technical question -- how
20 would you conclude that the average increase in farmland
21 prices have lagged beyond the overall inflation rate though
22 the 1970's.

23 Could you tell me what deflater you used to adjust
24 the land prices for inflation?

25 MR. MEEK: TO ADJUST WHAT?

1 Dr. HJORT: To adjust the nominal increases in
2 land prices for inflation.

3 MR. MEEK: It came out of one of your reports --
4 report out of the U.S.D.A. I don't have it with me.

5 Dr. HJORT: The attachment to your table shows
6 attributable to inflation. It has a footnote, that it says
7 derived, but it doesn't show what deflater you used. An
8 indication there that some consulting economist did it for
9 you.

10 It makes a lot of difference what deflater you
11 use. I just wonder if you know which one you used to come
12 to that conclusion.

13 MR. MEEK: No, I don't know. I will find out.

14 Dr. HJORT: In terms of general points,
15 Mr. Hosemann, sitting next to you, said in part of his
16 statement, the greatest help the government can give is to
17 reduce inflation to zero. So on and so on.

18 I get the impression from your statement that
19 you don't see anything wrong with inflation, at least as
20 far as land prices are concerned. Would you comment on
21 Mr. Hosemann's position?

22 MR. MEEK: Well, I will comment on clarification
23 of what you said. What I am saying is, you can't single out
24 farmland prices and try to bring them down artificially when
25 you can't bring down the rest of the factors in the economy.

1 DR. HJORT: But, then you are then saying --
2 let me put it another way. You do believe that inflation
3 is a major problem for farmers and that there should be a
4 nationwide effort on the part of government and all citizens
5 to reduce inflation.

6 MR. MEEK: Yes, but it shouldn't be artificial
7 with just one segment of the economy.

8 DR. HJORT: But agriculture should be treated the
9 same as any other sector of the economy with respect to that
10 program.

11 MR. MEEK: Well, if it is fair and equitable, yes.

12 DR. HJORT: Okay. Second, with respect to
13 government invention, your organization's proposal as far as
14 farm policy is concerned prices and so on, would involve the
15 government.

16 It appears to me to a much greater degree than in
17 present period. Yet, I believe you say it would be better
18 not to have a government involvement. How would you reconcile
19 the position of your organization with your statement.

20 MR. MEEK: Mr. Hjort, if we were operating under
21 free enterprise where supply and demand were left alone -- you
22 know we were just recovering from the Ford Embargo when this
23 other embargo or trade restriction to the Soviet Union was
24 levied against us.

25 Now, I think you can get government all the way out

1 of farming and all the way in. Right now you are in and
2 out. You levy trade restrictions against us and yet there
3 is no compensation and no free enterprise. You have got
4 imports coming in.

5 We imported tremendous amount of stuff that we
6 produce right here in the United States. And until we have
7 a free enterprise system, totally and fully -- And I am a
8 member of Farm Bureau also, and I believe in free enterprise.

9 But, we do not have that, and have not had that in
10 the 1960's and 1970's which I am more familiar with and I
11 don't believe you have it before then. And until you do
12 have a free enterprise system the government has got to get
13 involved in saving the family farmers.. And in saving
14 agriculture producers.

15 DR. HJORT: Which one of those two extremes would
16 you prefer?

17 MR. MEEK: Which one of the two? I don't believe
18 that a free enterprise system in the United States in
19 agriculture -- agriculture has become an industry of food.
20 I think even the secretary has gotten more representative
21 toward food industry out of necessity than he does for the
22 agriculture producers.

23 And until we can operate with a total free enter-
24 prise system we are not capable as producers; independent
25 producers to bend together and become effective in marketing

1 our products. If we were, then we would have problems also.
2 What the government has become and industry representing the
3 food industry, not agriculture.

4 This is out of necessity and I am saying you have
5 got to get all the way in and control it to where we are
6 not having producers going out of business on the daily
7 basis to the tune of a thousand or 1,500 a week or you have
8 to get out. Either out or in.

9 DR. HJORT: I gather you prefer that the govern-
10 ment get in under the present circumstances.

11 MR. MEEK: Because of the trade restrictions that
12 have been levied against us. We have had about five in a
13 row.

14 Five trade restrictions. We have the
15 Russians even before this embargo. The Russians had to ask
16 permission to buy grain from us. That in fact is a type of
17 trade restriction and until all of those restrictions are
18 lifted the government is going to have to be involved in
19 this thing to protect the producer.

20 So until you get all the way out, what you are
21 never going to be able to do, but in theory a free enterprise
22 system would be great, and I would love it. But I don't
23 think it is possible and I guess we are asking you to get
24 involved in this thing to some degree.

25 But the farmers have to have the capability to

1 distribute their commodities on an equal distribution
2 through the entire country and the entire world if the price
3 is there. The incentive is not there.

4 DR. HJORT: Would you favor restricting, benefits
5 as modifications in tax law, credit policies, farm programs
6 as has been mentioned by some of the panel members here
7 today, to restrict size or to discourage the move toward the
8 large farms.

9 MR. MEEK: Mr. Stone has a very excellent point.
10 When you are paying \$30,000 for a medium sized tractor and
11 you are farming a half a section, and you can farm a section
12 with one tractor, you know surely, you can understand that
13 the necessity to expand has been there.

14 Whereas a price, if it was a fair price, on the
15 commodities and the guy was making at least a living, I think
16 it would do away with the necessity if he could afford that
17 one tractor for a half section.

18 I am talking relative figures, but I think the
19 desire to expand has been out of necessity.

20 DR. HJORT: But if you had the program that you
21 proposed, the higher levels you would then favor restricting
22 those benefits to farmers of a certain size.

23 MR. MEEK: I am not sure I understand. I don't
24 think restrictions should be levied on anything. I am
25 saying that whether a guy is farming 35,000 acres, the large

1 farmers are in just as bad shape as the small farmer, in
2 my estimation. I think that you can get down to the 12 acre
3 hypothetical farmer that Mr. Bergland was talking about.

4 I am sure he has problems. But you take an average
5 family operation, I will estimate around 60 acres of land on
6 an nationwide average versus the guy or has 35,000 acres and
7 essentially they have got the same problem.

8 And if the price is there to substantially reimburse
9 the man for his time, his labor, investment and return on
10 investment, if a guy wants to risk his total monetary pocket
11 on 35,000 acres, believe me there is enough risk there to
12 where a guy is not going to want to risk anymore than
13 he has to.

14 And I think the self limitation of the higher
15 operating costs that are evident today will be restrictions
16 enough. But I do think that the levels that the loans are
17 set out now are absolutely to low.

18 There is no way a guy could have a choice of
19 marketing his product. Essentially most of them, unless
20 they are very well established in the farming industry are
21 having to sell immediately upon harvest to even have a
22 chance to pay for financing for another year.

23 And I think this needs to be corrected.

24 SECRETARY BERGLAND: Thank you very much Mr. Meek.
25 Mr. Hosemann and Mr. Woodland, I have one general question

1 I would like you to respond to. I grew up on a diversified
2 farm in Minnesota, and as a kid in the 1930's, my folks had
3 a little bit of everything, chickens and pigs, cows and a
4 garden and sheep.

5 Highly diversified, didn't depend much on the
6 market place for much. For the most part, it was a sub-
7 sistence enterprise which fairly well characterized farming
8 at that time.

9 But along comes technology and with it comes
10 specialization. Our farm now, is devoted to crops, no live-
11 stock as you know persons to specialize, centering on that
12 for which their land is best suited or for which they have
13 a personal management skill for the most part.

14 So dairy farms today, commonly -- we know grain
15 farmers frequently, they sell everything they grow and we
16 have seen trade expand between farms and states.

17 And in the last 10 years we have seen trade be-
18 tween countries. The question gets to the business of
19 risk sharing. There is no doubt that exports are going to
20 continue to expand the world needs more and more, and in-
21 creasingly has the capacity to buy more.

22 But with that, comes a new risk for which we are
23 not prepared. Because the world is an imperfect place we
24 have to put up with governments that we don't exactly
25 understand and with people who talk funny, with standards

1 and values that are not like own, and from time to time we
2 have Iranian situation develop or a Russian situation comes up
3 which wasn't your idea.

4 And there are things that individually, or even we
5 as a government can't do much of anything about it and yet
6 it has a tremendous impact.

7 Should we put in place some kind of a scheme, some
8 kind of a national system to deal with these international
9 events that arise from time to time? You have got a law
10 against trading with Cuba, North Vietnam and other place.
11 Because of political implications and these things unfortun-
12 ately tend to come and go.

13 How do we cope with an unruly world? And yet
14 recognizing that we are going to be doing business with them?

15 MR. HOSEMANN: You pose a very difficult question.
16 No question about it in my own mind from an economic stand-
17 point. And I don't want to duck it. I don't know that we
18 at this point have evolved a specific policy to deal with
19 these types of risk and uncertainties.

20 But I am concerned, as an economist, that we are
21 discussing a structure and this is certainly an aspect of
22 it because it has implications in an environment that is
23 a lot less pure from the stand point of the impact of in-
24 flation and these other events.

25 I wish there was somehow we could peel back the

1 effects of inflation, regulations, interference with markets
2 and so forth, so we could focus on some of the very legiti-
3 mate and real structure, future structure questions.

4 I guess in that respect, I really don't have an
5 answer to that. I know from our standpoint we prefer the
6 discipline of the market and to hope to, as Mr. Meek indicated,
7 he liked it, but would rather, since we didn't have it go
8 another out.

9 I guess what they are trying to --striving to try
10 to keep it. We think that discipline associated with it is
11 very beneficial to both. Consumers, producers and the nation
12 as a whole.

13 I guess you are probably getting close to the idea
14 of some sort of a stock -- International Stock mechanism,
15 if I am reading it correctly and from that standpoint with
16 the market as our prime objective.

17 We would resist international agreement in those
18 types of things that fake stock, and supplies and prices
19 in very narrow ranges. I don't know if I have come close
20 to it.

21 SECRETARY BERGLAND: You have. I know Farm Bureau
22 has withdrawn, I should say, has suggested that we resume
23 grain sales to the Soviets irrespective of other interest.

24 Do you think that grain or agriculture trade should
25 be conducted without regard to political implications?

1 MR. HOSEMANN: No, I think that one point was
2 brought out yesterday in the House Ag Hearings. I don't
3 recall the exact wording of our announcements on this subject.

4 But I think it is a little unfortunate that we
5 somewhat have been accused of not having a national security
6 interest and a patriotic approach.

7 SECRETARY BERGLAND: I am not accusing you. What
8 we are trying to get to, is how do we manage these kind of
9 problems.

10 MR. HOSEMANN: Okay, I will give you a very blunt
11 response. I think that if we have national security, that
12 everybody ought to bear the price. I will take myself as a
13 consumer. The embargo has cost me absolutely nothing and
14 I remark to my wife at breakfast, gee if we, are we really
15 in trouble, I should not have sugar in my coffee or we
16 should have some price that we are responding to.

17 And our response has been, the other farmers take
18 an unfair share of this foreign policy decision. And on
19 that basis and the fact that it apparently is not working,
20 from all the information we can gather, that we ought to call
21 it off.

22 I visited with friends of mine, what impact does
23 this have -- embargo have on them. In the short run they
24 are enjoying the grain supply, it is really not bearing
25 heavily on everybody, or equitably on everybody.

1 I guess that is the central question we would
2 like to have responded to.

3 SECRETARY BERGLAND: All right. So Mr. Woodland.

4 MR. WOODLAND: I suppose that the question that
5 has been asked about international issues is one reason for
6 government officials we elect and put our confidence and
7 trust in those people to work on international issues.

8 Those of us in general farm organizations become
9 deeply involved and somewhat knowledgeable on domestic issues.
10 If there is stability in the market and we can protect our
11 industries.

12 As you know we lost our sugar beet industry, nearly
13 have lost it and we have placed our confidence in a neigh-
14 boring country to supply some of those needs. We have made
15 some changes in corn sweeteners.

16 But in my opinion the international markets are
17 dumping markets. The domestic market will be where the
18 cost of production must be obtained. Because in that arena
19 we have no longer a free market.

20 It is a market that is controlled by a handful
21 of major buyers in every commodity. So the role of govern-
22 ment is to do for people what they can not do for themselves,
23 as I understand it. And on international issues I put my
24 confidence and trust in those elected officials.

25 SECRETARY BERGLAND: Mr. Woodland, you have said

1 that the real thrust or key to suggest in the agricultural
2 area is collective bargaining. It has been our belief
3 that price supports should be to the farming industry what
4 the national minimum wage law is to the wage earning world.

5 Now, in another words, the federal wage law says
6 the national minimum is \$3.00 an hour and I suppose the
7 average wage earner earns two or three times that. We don't
8 have one federal wage for workers in the machine shops and
9 another for something else.

10 That is negotiated in bargaining. Now, our support
11 program is based on the same fundamental premise that it
12 should serve as a sort of a life net. We agree that 2.35
13 a bushel of wheat is below the cost of production.

14 Instead of arguing about whether the support rate
15 should be some 25 percent higher or lower, what as a general
16 premise do you think price supports should be designed to
17 achieve.

18 MR. WOODLAND: I think a purpose of the price
19 support, is a base. A floor minimum is good but the unfortu-
20 nate thing is it at the same time becomes a maximum.

21 And that the markets seem to operate off from those
22 support levels. As you indicate there is a minimum wage for
23 labor and the principle involved here is a minimum price for
24 farmers commodities.

25 Now, as you do know, 3.10 is the minimum and we

1 know labor per hour goes up \$12, \$15 per hour. So they got
2 that through the bargaining process. They did not get that
3 through government legislation or government program. And
4 we submit that when farmers get their cost of production
5 it will not be through government programs.

6 But they in fact are minimums. And that if of
7 course, production is obtained and when, it will come through
8 the bargaining process based on those cost.

9 SECRETARY BERGLAND: Mr. Anderson, what do you
10 think about these international trade matters.

11 MR. ANDERSON: Mr. Secretary, I think I come in
12 about the same place as the other two do. We certainly
13 place our confidence in our elected officials in the inter-
14 national field.

15 We supported the judgement of our government on
16 the present embargo. I think we went a little further, we
17 thought it ought to be a total embargo of all commodities
18 to Russia at this time.

19 We also recognize that the import situation,
20 world trade is a two way street and we have to recognize
21 that if we are going to sell over there we also have to
22 buy over there.

23 We don't believe this has to be an issue. It has
24 to be a two way street. I think as far as our policy is
25 concerned we see the farmer held reserve program as one of

1 those tools that are available to you to deal with the foreign
2 situations. It is a benefit to all of us, certainly a benefit
3 to the consumers, in this country and as producers over the
4 long run.

5 I am sure at times we question that. But I think
6 in the long run we recognize it as a very valuable tool. And
7 we certainly want you to know that we continue to support this
8 type of reserve program.

9 Other than that I am not sure that we have any
10 position as far as international policy is concerned or any
11 suggestion to make to you at this time.

12 SECRETARY BERGLAND: All right sir, on to domestic
13 matters. You obviously have given this matter, you all have--
14 Mr. Anderson has come forward with a explicit type of tax and
15 commodity and income support program. Do you think there is
16 something inherently sound in the family farm structure?

17 MR. ANDERSON: Absolutely.

18 SECRETARY BERGLAND: What?

19 MR. ANDERSON: First of all, as has been pointed out
20 already, once you get away from that family size farm it never
21 returns to you regardless of how many times some larger corp-
22 oration or intergrated operation goes under, "bankrup or what
23 what have you.

24 Almost never does it ever come back to that family
25 farm operation. But the social factors, I think they are

1 heavily in favor of the family farm organization.

2 I think this is something we are very definitely
3 interested in this country. Certainly when we lose this
4 structure we are losing a farm communities as well.

5 We all recognize that they do not do the business
6 there. They do not support the social organizations within
7 that State, whether it is the school system or the education--
8 or the churches or what have you in that community.

9 The need is not there for those services. That
10 there is when you have the family farm organization incor-
11 ported around that community. So you don't only lose the
12 farm but you also lose that community.

13 I don't think anyone in this country wants to do
14 anything that is going to encourage the demise of the small
15 rural communities. I think most of us think this is still
16 the best place to live.

17 SECRETARY BERGLAND: Are you suggesting that
18 program benefits be targeted on those farms that have 900
19 man days or person days of labor requirements or less.

20 And that anything above that would simply be allowed
21 to expand, but without federal aid, is that the idea.

22 MR. ANDERSON: Right. We think the farm program
23 should be implemented and targeted so that it does not not
24 encourage anyone to get larger. I think the drive is always
25 going to be there. I think the intensive drive of the

1 American farmer or any other American worker is always
2 going to be there to become larger and earn more and so and
3 so forth.

4 But I think the role of government should certainly
5 be removed. That would encourage that, whether we are
6 talking about the farm program or any tax incentives or
7 any of these types of things.

8 I think what we have seen in recent years which
9 has been a traumatic increase in land prices has been
10 brought about probably more by inflation than any other thing.

11 The psychology of inflation we have had, we have all
12 been encouraged to buy land, because this seems to be one of
13 the so called hedges on inflation.

14 This has been perhaps the most force -- the
15 largest force there has to increase farm prices. Whenever
16 we get his inflation under control, I am sure we will have a
17 lot of our problems solved in agriculture as well as other
18 industries.

19 SECRETARY BERGLAND: Mr. Woodland, one brief
20 question. It is my belief that there is nothing wrong with
21 the price of pork, that a 10 percent herd reduction might
22 cure. That may be the only cure, I am not sure, but cer-
23 tainly we have just gotten more pork and more meat in the
24 market than we need.

25 As a consequence we have a depression, by any

1 standard there is a depression. I had a call the other
2 day from a friend of mine who has a constituent in the pig
3 business. And he is going broke. Do you think we should
4 make him a loan through F.H.A.?

5 My question is really and I don't mean to put you
6 in this spot -- the question is, should we use our credit
7 program as an instrument of a rural policy, agriculture
8 policy making. We have never done it, but should we?

9 MR. WOODLAND: I think there must be good business
10 principles applied to an operation and the size of the
11 operation becomes the subject before discussion.

12 But there must be a supply management program
13 initiated by producer control. They must learn how to
14 operate their business under a supply management program.
15 Now, the price of hogs, as you know are disastrous and anyone
16 who is in the operation of producing that commodity is losing
17 perhaps \$20-25 per head.

18 This condition being brought about by increasing
19 numbers. As to whether or not that individuals is entitled
20 to, it would depend upon the operation as such. Is he a fully
21 employed operator?

22 To often I think we find people we are not fully
23 employed on the farm, they need to be fully employed. I
24 cannot justify and when we get specialized sometimes we do
25 not get -- become fully employed. But in most farms circles

1 and farm operations, they are diversified to where they do
2 become fully employed.

3 This young man, whom you are talking about, I
4 would say that he is entitled to temporary assistance, if
5 he has applied good management principles and we know that
6 borrowed money is a poor substitute for farm income. That
7 real farm income is where the solution lies.

8 And this must be brought about through organization
9 of people to deal with their problems. We have disorganized
10 producers selling to organized buyers and the individual
11 disorganized will never survive.

12 SECRETARY BERGLAND: Thank you sir.

13 DR. HJORT: First a specific question for each one
14 of you. The question deals with the standard or the policy
15 objective with respect to farm programs policies.

16 We have talk about parity and I don't know anybody
17 who concludes, anyone should have anything but parity as a
18 goal. But a lot of times there is talk about parity prices,
19 there is parity returns or there is parity income of those
20 three alternatives. Which one do you and your organization
21 believe is the one that should be the standard. Mr. Anderson
22 first.

23 MR. ANDERSON: We support that the concept of
24 parity income. I don't believe that we feel the role of the
25 U.S.D.A. or any other segment or any other agency in our

1 government should become involved to the degree that they are
2 going to assure us of parity of prices.

3 DR. HJORT: Mr. Woodland.

4 MR. WOODLAND: As far as parity is concerned it is
5 a very illusive word. As I understand the meaning of it, it
6 means equality. And that is never outdated in anybody's
7 definition.

8 DR. HJORT: Precisely.

9 MR. WOODLAND: But, one that would deal with the
10 issue at hand is cost of production, plus a profit.
11 And nobody can argue with that principle.

12 DR. HJORT: Parity return, including the return
13 of resources and a parity profit is the one you would sub-
14 scribe to then.

15 MR. WOODLAND: Yes.

16 MR. HOSEMANN: As long as we have to deal with
17 parity, I think it seems to be institutionalized. Much, that
18 we are in favor of parity, parity in the market place and we
19 are fearful that the cost of production concept is beginning
20 to be as institutionalized as parity has become.

21 And we feel there are at least as many pitfalls
22 in that as the parity concept has. We don't know how to
23 define cost of production. We don't know what you mean by
24 reasonable profit.

25 DR. HJORT: Let me see what the standard is you are

1 getting to the next question, which is how one deals with
2 the standard. I am not necessary -- I am going to ask you
3 what tyou think the government's role should be relative
4 to that standard, pretty soon. But what does an -- as an
5 organization do you believe is the proper standard of those
6 three choices.

7 MR. HOSEMANN: Parity income in the market place
8 and whatever that might mean.

9 DR. HJORT: Okay. Then the related question is:
10 what should be the role of government? We have proposals
11 frequently, where the government's roles would be to insure
12 that standard every year and through time.

13 We operate under laws where that is not the role of
14 government with the exception of very few commodities. In
15 most cases the Secretary has said the laws require that
16 we provide a safety net an economic safety net. That if
17 prices were at that level they, by definition would not
18 likely to be providing a parity return or a parity income.

19 But they operate under the philosophy that there
20 should be a considerable range for prices to move, to
21 equilibrate resources. Given that we have had that basic
22 policy thrust since the mid 1960's which was a marked
23 contrast from the late 1940's until that time.

24 Do you think that is still a proper position for
25 government or would you suggest deviation from that role of

1 government.

2 MR. HOSEMANN: I don't know what our final position
3 would be on the new farm bill as it evolves. I do know that
4 we have the supported the act of 1977 and embrace the concepts
5 you are basically speaking of. I will have to rest my case
6 on that past action, rather than what might come down.

7 DR. HJORT: Mr. Woodland.

8 MR. WOODLAND: I think what we have to do is
9 decide what type of agriculture we want in the country. And
10 as we make that decision, what type we want that we best
11 serve the needs of the American people.

12 This is our prime concern. That we take and design
13 our programs around those, and that the price levels that we
14 reach and decide on be based on an average cost of the masses.

15 I know when we deal with the cost of production it
16 becomes a very basic issue, not knowing where to pay. But
17 I think we have to take the masses and decide the average cost
18 of those. And that becomes the program level that we search
19 out, decide on.

20 I in fact we want to preserve the type of owner
21 operated concept that our testimony has been built around.

22 DR. HJORT: Okay. That is coming towards my third
23 question. I will come back to you on that.

24 Mr. Anderson.

25 MR. ANDERSON: Basically, Dr. Hjort, we do as I

1 indicated earlier, support quite strongly the reserve
2 program we are operating under now. And in my mind I be-
3 lieve that our present program is certainly focused around
4 the reserve program.

5 This is certainly the corner stone of it. We favor
6 this very strongly. I think our recommendation as to a
7 change, would be in the areas identified as to the support
8 level being restricted to that family farm operation.

9 I am not talking about the part-time farmer, I am
10 talking about the full-time operation. The person that
11 has the full-time job and chooses to live in the country. I
12 think this is another individual. I think this is a choice
13 he has made because he wants to live in the country.

14 And I don't believe we can be concerned about the
15 income of that operator. I believe he has made his choice
16 to make his real income, on whatever that other job is.
17 But we are concerned, that the present program, as it is
18 implimented does tend to encourage increase growth as far
19 as farm size and this type of thing. Thank you.

20 DR. HJORT: All right. Our final question the.
21 I would like to ask a specific one. But I know we are going
22 to run out of time, so let me go with this final kind of
23 question. We today, have heard suggestions, first of all,
24 that it has come through to me that a family farm, are
25 clearly the target group that you are saying we should as a

1 nation we concerned about. There have been different
2 definitions of family farms. There is one attached to the
3 statement in, from the Farmers Union says, a family farm
4 is ideally one that is owned and operated by a farmer and
5 his family with the family providing most of the labor
6 needed for the farming operation.

7 Assuming the economic risk, make most of the
8 management decisions, reaping the loss or gains from the
9 operation and depending primarily on farming for a living.

10 We have also heard suggestions of payment limits,
11 changes in tax policies, changes in credit policies, and
12 I guess the implication of whatever other changes might be
13 needed to insure the viability of the family farm.

14 Mr. Anderson, you fairly well outlined your organ-
15 ization's approach to that. Clearly on record it seems that
16 olicy should be governed and administrated in a way that
17 facilitated ; the maintenance of small and medium sized farms.
18 I suppose, this in your mind should not have the same treat-
19 ment under the farm programs and polices.

20 Mr. Woodland and Mr. Hosemann where do you come
21 out on this general question?

22 MR. WOODLAND: I suppose the term family farmer has
23 always been one that is evasive as well. The family farm that
24 may choose to incorporate, is a family farm. That owner
25 operator, is a man who owns and operates that farm unit, is

1 fully employed, is a family farm. And we will suggest that
2 those fall in those confines as owners who actually the
3 units.

4 Now, providing the labor, the technical ability, the
5 management, it would be classified as a family farm and
6 perhaps owner operated would be more general. Because, too
7 often when we speak of the family farm, people automatically
8 reflect back to the 40-60-80-100 acre unit with the walking
9 plow and so forth.

10 And that is not the family farm of today.

11 DR. HJORT: We have had testimony here from others,
12 that if you would translate what they had been saying in
13 terms of a unit. Answering a little different question, I
14 kept asking where do you believe that you captured most of
15 the efficiencies that are associated with size.

16 And I think depending on the enterprise, the
17 answers range from anywhere to 50 to 150 and maybe 200,000
18 gross. But you would favor having programs and policies
19 credit tax, farm program themselves, structured in a manner
20 that does insure the benefits flow to that group.

21 MR. WOODLAND: I think too often we assume that
22 bigness is good. And I am sure if we reflect we will find
23 that business that have become big in nature have caused
24 many of our problems. So I think there must be a limit,
25 particularly on those who have off the farm income and

1 available asset to subsidized and put them into a tax
2 position to benefit themselves.

3 And so, if a man is truly a farmer, then he is
4 exposed to profit and loss as a known operator. Then I
5 think he is entitled to the programs that are available.

6 DR. HJORT: Thank you.

7 SECRETARY BERGLAND: Would you yield on that
8 point Howard?

9 DR. HJORT: Mr. Woodland, one of the authorities
10 on the government in the State of Nebraska, told me that
11 they believe that about half of the pigs produced in the
12 State this year will be produced in facilities primarily
13 by persons looking for a tax shelter.

14 You are saying, that is the kind of thing that
15 should be stopped.

16 MR. WOODLAND: I think it should be absolutely
17 denied.

18 DR. HJORT: Mr. Hosemann.

19 MR. HOSEMAN: In response to your question, I
20 think we clearly come down on the side of the family farm.
21 However, it might be defined, it is very difficult, as
22 Mr. Woodland points out, as you well know.

23 The fundamental question from our standpoint is,
24 that family farmers on the farm today, should have the
25 opportunity to improve their standard of living. And for

1 those who can't stay on the family farm they ought to have
2 the opportunity to improve their standard of living as well.

3 The family farm has been a tough competitor
4 throughout its history, and the evolution of various size
5 and configurations for a lot of reasons.

6 One of them might be, that it is able to ingest
7 the fruits of research and those who adapt early benefit.
8 And the nice thing about it, if you will, is that the
9 benefits ultimately are passed to the consumer.

10 I would say before we get into the business of
11 limiting payments and eliminating the "large farm buyers of
12 farm programs" that we should first eliminate the buyers
13 of inflation.

14 And what it is doing, in fact, to force consolidation
15 of farms into other hands until we can peel that back and
16 take sober look at these relationships, I think we are
17 on some real shakey ground.

18 MR. ANDERSON: Can I make one comment.

19 DR. HJORT: Certainly.

20 MR. ANDERSON: I was thinking when we came up
21 with this policy, which started three years ago, first of
22 all we all talk about the most efficient operations perhaps
23 the only one that should be justified. We hear this term
24 quite often and I think we have to recognize in agriculture
25 that most of our major farm products cannot be grown in that

1 environment where it is the most efficient. We have to
2 grow some of it where it is less efficient operation. Whether
3 it is land or in some cases livestock. I think we have to
4 recognize we need that combination. So I don't think that we
5 can justify the fact that in many cases the larger operation
6 is perhaps the most efficient.

7 We don't want people to think that we are suggest-
8 ing a welfare program for the less efficient. Because I
9 think it takes both of them to supply the needs of our
10 country.

11 SECRETARY BERGLAND: Mr. Anderson, one of the
12 problems we are up against, it the regional competitive pro-
13 blems that arise from time to time. For example, in most of
14 the territory from Western plains of Texas up through the
15 Nebraska -- farming has been increasingly dependant on
16 irrigation and the cost of irrigation is going clear out of
17 site.

18 Especially in the Southern end of the Ogallala
19 reserves, we find production cost clearly breaking people
20 right and left, because of those factors, the cost of produc-
21 tion in corn in west Texas is easily a dollar a bushel more
22 than Illinois. What do we do with a thing like that, if anything

23 We are talking about efficiency by region. Here
24 we have a classic case. Is this something we should do
25 anything about or should we leave the forces, the economic

1 forces at work, just let them sort those out, you know what
2 will happen. A lot of that irrigated grain farming in
3 that basin will go from irrigated grain back to cattle.
4 Is that something we should let happen?

5 MR. ANDERSON: I think in the illustration you
6 just gave, this is something you as a responsible official in
7 government, I don't think you have any obligation to try to
8 support that type of thing.

9 I think that your basic role, as I understand it
10 in the U.S.D.A. is to assure the people of this country an
11 adequate supply of food and fiber.

12 I think you ought to do your best to keep us in-
13 formed as producers as to what the supplies are, what the
14 other variables are as to what the needs are. And I see your
15 role as being that part of government that is going, not only
16 give us the information, but help us as we operate as
17 individuals try to get our supply in accordance with the
18 demand, as you foresee it.

19 Sometimes of course, we don't agree with you and
20 what your predications are, but I think you do the best you
21 can. And we hope you can continue to improve your abilities.
22 But I see your role, this method of helping us get the
23 supply in accordance with the demand. And I see the reserve
24 and the program as we have looked at it as that tool.

25 I don't believe that you should put yourself in the

1 role of trying to support something as you just indicated
2 The high plains of Texas, I guess is the area where this is
3 happening.

4 Certainly that was a risk that they accepted when
5 they went into the area and put in the development they did.
6 I don't believe that is a part of government to try to keep
7 them from having their financial problems there.

8 SECRETARY BERGLAND: Mr. Woodland.

9 MR. WOODLAND: Mr. Secretary, I don't believe the
10 department can be a nursemaid. I think that your responsi-
11 bilities are somewhat different than what has been suggested.
12 That may necessitate some action in that particular area.

13 But I do believe, that there must be established
14 an average cost of production on commodity for the masses
15 of farmers. And if you have a high production cost area
16 that those producers there must have the ability to meet the
17 buyers, the feedlots wherever they might be around a bargaining
18 table.

19 And they negotiate a price equal to their additional
20 cost so that they can deal with their economic problems.
21 But this must be done through producer group and producer
22 programs.

23 SECRETARY BERGLAND: Do you think that average
24 price and you know that means, it is in the middle of a
25 great big wide band. Do you think that average price should

1 somehow as a bench mark in sending federal price support
2 policies.

3 MR. WOODLAND: Yes, I do. That has to be some
4 guarantee which the government has ability to perform and
5 function in. I think that average cost, I think in
6 business no one expects anyone else to operate below their
7 cost.

8 And the crisis we have in agriculture today ought
9 not to be any surprise to anybody, because we have been
10 warning, and forewarning all people concerned for sometime
11 that this is what was happening.

12 I certainly applaud your efforts to deal with
13 inflation. It must be dealt with, but I see something
14 happening that is unfortunate. And that is that agriculture
15 is not being treated equally in the attempt to control
16 inflation. Because as we prepare our product for sale we
17 are faced with this attempt to control inflation.

18 And all of the input cost that we must buy have
19 not reflected the same type of curtailment. So the gap is
20 getting wider and wider and if they would all role back we
21 would most happy to role back.

22 But I am convinced that you are going to be unable
23 to role back labor, hence the cost of equipment, fertilizers,
24 of petroleum and that agriculture is going to be taken
25 advantage of because of inability to survive under this type

1 climiate.

2 DR. HJORT: Let me ask a question that grows in
3 part out of that. That comes back to this specific question.
4 The report of yesterday was referred to on the April 1980
5 farm prices and farming for prices makes it abundantly clear
6 I think that farm product prices need to move up.

7 It also seems to me, or I keep puzzling we have
8 a reserve program at the -- for the 1980 crops. Everybody
9 is eligible for that reserve program. We have tried to
10 structure reserve so that that band would accommodate
11 essentially what appears on the basis of the best information
12 we have what accommodate the cost of production, the range
13 of cost of production for a wide group or band of farmers.

14 Yet, we keep hearing that we need to increase the
15 loan price which for most of our commodities, particularly
16 those where we have reserves, it doesn't seem to me, is the
17 market factor. The market factor should be the -- those
18 reserve release prices.

19 And that program is available. And it only works
20 though if the producers use it. There is no limit on how
21 much they can put in, so it would seem they could short the
22 market and force buyers to come to them for a price --
23 a price certainly in excess of that reserve price.

24 And I don't see, why not significantly an excess of
25 that release price. In short I don't see why we couldn't

1 see a wheat price above four dollars if the farmer uses
2 that reserve program this year. And I don't see why on
3 corn we couldn't see a price at least 2.75/2.85, somewhere
4 along in there.

5 Yet it seems we have great pessimism over what
6 prices are going to be in the future. I would appreciate
7 any comments that anyone of you have on this. What seems
8 to be a paradox at the present time.

9 MR. WOODLAND: I think there is a confidence factor.
10 I think farmers themselves becomes somewhat suspicious, per-
11 haps lack of trust and confidence in the program. And I
12 would venture a guess that a very very small percentage of
13 farmers understand the program.

14 And I would even venture further that the State
15 Committee people understand the program. So I think the
16 program has not had the exposure, hence the participation.
17 I don't know how you get farmers to respond.

18 If we had a magic solution to that there would be
19 demand on all of our time.

20 DR. HJORT: What you are really saying there
21 is we, you and all of us who are concerned about agriculture
22 have a rather massive education program task ahead of us.

23 MR. HOSEMAN: I think that certainly to tie in
24 on what Mr. Woodland said, there is a creditably factor
25 there is sort of a disbelief that we don't still have an

1 infinite export market. The education factor would certainly
2 figure in there, but I make a predication and I am reluctant
3 to do that from a economic standpoint.

4 But come Fall there will be an act of utilization
5 of some kind of program given the outlook of production and
6 supplies. We are not in a group that might be pushing for a
7 higher loan rate at this point. I don't know what Fall will
8 bring, but right now we prefer to leave loan rates where they
9 will not interfere with international competition.

10 DR. HJORT: Mr. Anderson.

11 MR. ANDERSON: Dr. Hjort, I think that one of the
12 problems we are looking at here is, first of all those who
13 are eligible usually the farmer who was within his limitations
14 or within his farm program elibibility normally, they are
15 the same producers year after year. It doesn't really
16 change that much. I think that those people -- I think their
17 storage is full. I don't think they have got the storage
18 capacity to put another year in.

19 We have many areas in this country where we
20 have had three darn good crops above average yields. I
21 think this is part of the problem. I personally would like
22 to put another 12,000 bushels in reserve. But the person
23 has to have that space, so I just can't do it.

24 I think we have to recognize that for the 26 and
25

1 1/2 cents in todays prices,, 26 and 1/2 cents storage ,
2 we can't afford to go storage. Also with the 26 and
3 1/2 cents we can't afford to put it in commerical
4 storage.

5 So I think, now the non-eligible producers, I am
6 sure there is more storage available and I am not sure at
7 this time why they are putting more in there faster than
8 they are.

9 I think the other two fellows here, touched on
10 that. I think to some extent at least, there is some
11 question in there mind as far as creditably in this type of
12 thing.

13 SECRETARY BERGLAND: Gentlemen, I know that time
14 is flying by and we want to bring this to a conclusion
15 shortly, but I have one last question which deals with the
16 structure, kind of fundamental.

17 It is called vertical intergration. Farming has
18 gone from the diversified low sophisfication kind of side-
19 line business into some cases, a very sophisficated high
20 powered marketing scheme.

21 Particularly in the poultry, the chickens, the
22 turkeys, pigs, so we need to look at it to find out whether
23 there is anything we should do about this.

24 We have had good arguments on both sides of the
25 issue. On one hand we have had producers who say they have

1 it both ways. And like it better with a contract, be-
2 cause they have a steady market help with financing and
3 help with feed and veterinary services and so on.

4 And from the consumer standpoint it can be
5 argued. It is probably the most efficient meat producer
6 in the world. There are thousands of persons involved in
7 the process from beginning to end. So we have seen, by
8 competitive forces the evolution of a very sophisticated
9 business. Do you see anything wrong with this?

10 And is there something we should do about it.
11 Anybody care to volunteer.

12 MR. ANDERSON: We certainly do not support this
13 movement. We think that, as I indicated in some of the
14 testimony we presented, certainly the movement into the
15 pork facility in recent years, as a direct result to some
16 degree to the changing investment of credit in the Internal
17 Revenue code.

18 I think the more of this we see, certainly the
19 food supply in this country becomes -- comes into fewer
20 and fewer hands and I see this as no way good for the
21 consumer in this country.

22 Because you get in the same position we are in in
23 the automobile industry. Pretty soon you will have some
24 giants and you have really lost the competition.

25 SECRETARY BERGLAND: I was on a farm in Arkansas

1 recently and that particular family owned three acres of
2 land. That is all they had to their name. They had two
3 chicken houses and they were under a contract with some-
4 body.

5 They were prospering they were busy, and they were
6 prospering and they injoying their lives. But they were a
7 part of a highly intergrated organization.

8 They were independant entrepreneurs contracting
9 with an outfit. Anything about that that bothers you?

10 MR. ANDERSON: This is true, but I think we have
11 just as many examples, Mr. Secretary where down the road
12 perhaps next year or maybe five years later, this particular
13 one you mentioned right now can be cut loose just like that.

14 And they have absolutely nothing, they have
15 absolutely no place, no market is left. Because the market
16 has been taken by the large vertical intergrated operations.

17 So you have lost the market and when you don't
18 have market you are out of business. The trend has been for
19 these operations to move into there own operations or if
20 this fellow, if this particular one you refer to, five or
21 ten years later is not quite as modern with his equipment
22 at that time because someone else has built --

23 Then pretty soon like I say, they forget him and
24 go to another one. So he has absolutely nothing left be-
25 cause the market is gone. I think this is a vital part as

1 we talk about the structure of agriculture and that is that
2 we maintain ability to get to a market whether you are large
3 or a small operator.

4 I think it is very important that the small
5 operator has a market for his sales.

6 MR. WOODLAND: I think the thing that makes
7 America great, different and unique, the envy of the world
8 is that people are owners. They become owner and operators
9 they become individual entrepreneurs, and that is the goal and
10 desire of most people.

11 We have lost that ability in every segment of
12 society today, with the exception of agriculture. It is
13 the only industry left that is still in the hands
14 of many versus the hand of few.

15 And so the danger is, that this particular
16 individual may well be content to be a chicken house janitor.
17 But most farmers are not. They want to own, they want to
18 run and operate their business. And if we allow the
19 concentration of power in production in processing in
20 distribution into the hands of a few than the American
21 people will be the losers.

22 Not only the farmers, the American people will
23 become the loser and will be subject to the corporate
24 structure as we are today in oil, steel, rubber and other
25 segments of society, that we have no longer proud ownership

1 in.

2 MR. HOSEMAN: One of the real questions you raise
3 here is the way in which terms, contract and agreements an
4 bargaining table to deal with some of these questions.

5 I think earlier in my original statement that
6 referred to legitimate structural questions and this is one
7 of them. And to ducktail all on what Mr. Woodland says
8 the concentration of power.

9 We are all concerned about and we think that is
10 one of the reasons we in the Farm Bureau and several other
11 farm organizations have gone -- drawn hands behind the
12 agriculture that may necessitate some action in that
13 particular area.

14 SECRETARY BERGLAND: Thank you very much Howard
15 Anything closing? Gentlemen we certainly do appreciate your
16 coming here today and taking time to prepare excellent
17 testimony. Responding to this admittedly tough kind of
18 questioning.

19 This concludes the series of hearings which are
20 scheduled to receive opinions and ask questions but it by no
21 means brings the whole enterprise to a close. This is but
22 the first phase of what we hope will be a continuing study
23 and thought given to the toughproposed here and other questions
24 leading up to culmination leading up to legislative activity
25 in about one year.

1 The current farm legislation and other important
2 matters pretaining to agriculture all expire at the end
3 of 1981. The Congress a year hence will be writing some
4 kind of farm program planning.

5 And it is our hope that these kind of studies
6 which will take place in public and private places will
7 result in a carefully thought out agricultural policy on
8 which there can be some general agreement come 1981 rather
9 than the usuall kind of quarreling over price levels which
10 was characterized in farm price policy for tooling.

11 We appreciate your testimony here today and hope
12 you continue to study and think about these matters so when
13 you and your organizations testify in a year it will be on
14 the basis of some thoughtful structural kind of rational.

15 MR. ANDERSON: We thank you, Mr. Secretary

16 SECRETARY BERGLAND: Thank you very much. This
17 brings the series to a close.
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REPORTER'S CERTIFICATE

DOCKET NUMBER:

CASE TITLE: Structure of American Agriculture and Rural
 Communities

WORKING DATE:

HEARING DATE: May 1, 1980

LOCATION: Washington, D.C.

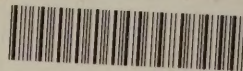
I hereby certify that the proceedings and evidence herein are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before United States Department of Agriculture and that this is a true and correct transcript of the same.

Date: May 13, 1980

Official Reporter
Acme Reporting Company, inc.
1411 K Street, N.W.
Washington, D.C. 20005



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